



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
Department of Fish and Wildlife

For the period July 1, 2016 through June 30, 2018

Published August 19, 2019

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**Office of the Washington State Auditor
Pat McCarthy**

August 19, 2019

Kelly Susewind, Director
Department of Fish and Wildlife
Olympia, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Department operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our independent audit report on the Department's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, Department operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

We identified an area in which the Department could make improvements; specifically related to wildlife damage prevention cooperative agreements. Our recommendations are included in this report as a finding.

We also noted certain matters that we communicated to Department management in a letter dated July 30, 2019, related to range rider contracts. We appreciate the Department's commitment to resolving those matters.

Additionally, as noted under the Related Reports – Special Investigations section of this report, certain matters were examined and reported as part of a separate engagement.

About the audit

This report contains the results of our independent accountability audit of the Department of Fish and Wildlife from July 1, 2016 through June 30, 2018.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.310, which requires the Office of the State Auditor to examine the financial affairs of all state agencies. Our audit involved performing procedures to obtain evidence about the Department's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, based on our risk assessment for the years ended June 30, 2018 and 2017, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Local grants and private contributions – Examined disbursements made with local grant revenues and private contributions to ensure the disbursements were adequately supported and in accordance with the grantor or donor restrictions
- Procurement of architectural and engineering service contracts – Examined architectural & engineering service contracts to ensure applicable state laws and regulations were followed in procuring the services

- Disbursements from restricted funds – Examined payments to ensure the payments were for an allowable use of the restricted fund, and adequately supported (for the following funds):
 - Aquatic Lands Enhancement Account (02R)
 - Columbia River Salmon/Steelhead Endorsement Account (16H)
 - State Wildlife Account (104)
 - Special Wildlife Account (110)
- Damage Prevention Cooperative Agreements (DPCA) with private landowners – Examined payments made under agreements with landowners to ensure the payments were adequately supported and allowable in accordance with the terms of the agreements
- Finding Follow-Up: Range Rider Contract Payments - Examined payments made under contracts with state range riders to ensure the payments were adequately supported and allowable in accordance with the terms of the contracts

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2018-001 The Department of Fish and Wildlife did not adequately monitor wildlife damage prevention cooperative agreements.

Background

The Department of Fish and Wildlife (Department) operates and manages 33 wildlife areas in Washington. The Department is also responsible for mitigating wildlife conflicts with livestock and damage to crops and infrastructure caused by animals such as bears, cougars, coyotes, deer, elk, moose and wolves.

In an effort to mitigate damage to livestock and properties adjacent to state wildlife areas, the Department enters into Damage Prevention Cooperative Agreements with private landowners to conduct livestock herd and predator monitoring. Under these agreements, the Department encourages landowners to use nonlethal wildlife deterrents, such as lighting and noise devices, or other preventive measures that include constructing temporary or permanent fencing to confine livestock and deter predators, rotating livestock herds, carcass removal, range riding and livestock monitoring. These activities are designed to reduce or eliminate the risk of damage or loss.

The Department commonly pays 50 percent of the cost for preventive measures implemented by the landowner. In the case of range riding, the landowner has the discretion to hire individuals to perform range riding for their allotment(s) and is responsible for reporting observations obtained by their riders upon request.

In state fiscal year 2018, the Department spent \$272,300 for Damage Prevention Cooperative Agreements.

Description of Condition

We found the Department did not adequately monitor its Damage Prevention Cooperative Agreements. We examined 31 payments, totaling \$184,559, made to landowners and found:

- In 30 instances, totaling \$179,559, supporting documentation was not available to determine if the payments were allowable.
- We could not determine if the Department properly paid for range-rider services, because the agreements with landowners did not define the allowable daily or hourly billing rates for range-riding activities.

Twenty-two landowners billed the Department for range-riding activities at six different daily rates, all of which were accepted by the Department at the time of payment. These payments totaled \$179,559.

- Under the terms of the agreements, landowners must submit itemized invoices documenting costs for range-rider services billed to the Department. Because the invoices submitted did not contain information regarding the daily range-rider rate, we could not determine whether the Department's payments were 50 percent of the allowed costs.

Cause of Condition

During the audit period, the Department did not establish effective fiscal monitoring activities to ensure invoiced amounts reconciled to supporting records, such as receipts, range rider field journals, or other documentation.

Additionally, agreement terms did not specify:

- Acceptable billing rates for daily range riding services
- Whether landowners could bill for range-riding services at an hourly rate instead of a daily rate
- Whether supporting documentation (such as daily activity logs) would be required for the landowner to justify expenses claimed for range riding services

Management said, as of July 1, 2018, it had implemented corrective actions that resolved the conditions described above. We did not examine these activities because they occurred after the audit period ended.

Effect of Condition

Not establishing effective fiscal monitoring activities increases the Department's risk of making improper payments to contractors. Not requiring contractors to submit or retain adequate documentation to support services billed to the Department further increases the risk of fraud, waste and abuse.

Recommendations

We recommend the Department:

- Require all landowners to maintain supporting documentation, such as range rider field journals, receipts, and other documentation to support invoices

- More clearly describe the scope of services in its agreements and how contractors are permitted to bill for services, such as establishing daily or hourly billing rates
- Strengthen fiscal monitoring to ensure invoiced amounts reconcile to supporting records, such as receipts, range rider field journals, or other documentation

Department's Response

We concur with the Auditor's finding on the documentation problems related to Wildlife Damage Prevention Cooperative Agreement (DPCA). We appreciate the Auditor's recommendations and note that corrective actions were fully implemented by July 1, 2018.

These corrective actions began at the time the Auditor initially reported these conditions, during the fiscal year 2016 audit period. The Auditor has stated that they will verify the corrective actions in the next audit cycle as this report does not document the implementation of the corrective actions.

We appreciate the Auditor's time and we look forward to clearing this issue during the next audit.

Auditor's Remarks

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

Applicable Laws and Regulations

RCW 77.36.100 - Payment of claims for damage to commercial crops or livestock—Noncash compensation—Offer of materials or services to offset or prevent wildlife interactions—Appeal of decisions—Adoption of rules.

(1)(a) Except as limited by RCW 77.36.070, 77.36.080, 77.36.170, and 77.36.180, the department shall offer to distribute money appropriated to pay claims to the owner of commercial crops for damage caused by wild deer or elk or to the owners of livestock that has been killed by bears, wolves, or cougars, or injured by bears, wolves, or cougars to such a degree that the market value of the livestock has been diminished. Payments for claims for damage to livestock are not subject to the limitations of RCW 77.36.070 and 77.36.080, but may not, except as provided in RCW 77.36.170 and 77.36.180, exceed the total amount specifically appropriated therefor.

(b) Owners of commercial crops or livestock are only eligible for a claim under this subsection if:

- (i) The commercial crop owner satisfies the definition of eligible farmer" in RCW 82.08.855;
- (ii) The conditions of RCW 77.36.110 have been satisfied; and
- (iii) The damage caused to the commercial crop or livestock satisfies the criteria for damage established by the commission under (c) of this subsection.

(c) The commission shall adopt and maintain by rule criteria that clarifies the damage to commercial crops and livestock qualifying for compensation under this subsection. An owner of a commercial crop or livestock must satisfy the criteria prior to receiving compensation under this subsection. The criteria for damage adopted under this subsection must include, but not be limited to, a required minimum economic loss to the owner of the commercial crop or livestock, which may not be set at a value of less than five hundred dollars.

(2)(a) Subject to the availability of nonstate funds, nonstate resources other than cash, or amounts appropriated for this specific purpose, the department may offer to provide compensation to offset wildlife interactions to a person who applies to the department for compensation for damage to property other than commercial crops or livestock that is the result of a mammalian or avian species of wildlife on a case-specific basis if the conditions of RCW 77.36.110 have been satisfied and if the damage satisfies the criteria for damage established by the commission under (b) of this subsection.

(b) The commission shall adopt and maintain by rule criteria for damage to property other than a commercial crop or livestock that is damaged by wildlife and may be eligible for compensation under this subsection, including criteria for filing a claim for compensation under this subsection.

(3)(a) To prevent or offset wildlife interactions, the department may offer materials or services to a person who applies to the department for assistance in providing mitigating actions designed to reduce wildlife interactions if the actions are designed to address damage that satisfies the criteria for damage established by the commission under this section.

(b) The commission shall adopt and maintain by rule criteria for mitigating actions designed to address wildlife interactions that may be eligible for materials and services under this section, including criteria for submitting an application under this section.

(4) An owner who files a claim under this section may appeal the decision of the department pursuant to rules adopted by the commission if the claim:

(a) Is denied; or

(b) Is disputed by the owner and the owner disagrees with the amount of compensation determined by the department.

(5) The commission shall adopt rules setting limits and conditions for the department's expenditures on claims and assessments for commercial crops, livestock, other property, and mitigating actions.

RCW 77.36.110 – Eligibility for compensation under this chapter—
Adoption of rules.

(1) No owner may receive compensation for wildlife interactions under this chapter unless the owner has, as determined by the department, first:

(a) Utilized applicable legal and practicable self-help preventive measures available to prevent the damage, including the use of nonlethal methods and department-provided materials and services when available under RCW 77.36.100; and

(b) Exhausted all available compensation options available from nonprofit organizations that provide compensation to private property owners due to financial losses caused by wildlife interactions.

(2) In determining if the requirements of this section have been satisfied, the department may recognize and consider the following:

(a) Property losses may occur without future or anticipated knowledge of potential problems resulting in an owner being unable to take preemptive measures.

(b) Normal agricultural practices, animal husbandry practices, recognized standard management techniques, and

other industry-recognized management practices may represent adequate preventative efforts.

(c) Under certain circumstances, as determined by the department, wildlife may not logistically or practicably be managed by nonlethal efforts.

(d) Not all available legal preventative efforts are cost-effective for the owner to practicably employ.

(e) There are certain effective preventative control options not available due to federal or state restrictions.

(f) Under certain circumstances, as determined by the department, permitting public hunting may not be a practicable self-help method due to the size and nature of the property, the property's setting, or the ability of the landowner to accommodate public access.

(3) An owner is not eligible to receive compensation if the damages are covered by insurance.

(4) The commission shall adopt rules implementing this section, including requirements that owners document nonlethal preventive efforts undertaken and all permits issued by the department under RCW 77.12.240 and 77.12.150.

RCW 43.88.160 Fiscal management – Powers and duties of officers and agencies, states in part:

This section sets forth the major fiscal duties and responsibilities of officers and agencies of the executive branch. The regulations issued by the governor pursuant to this chapter shall provide for a comprehensive, orderly basis for fiscal management and control, including efficient accounting and reporting therefor, for the executive branch of the state government and may include, in addition, such requirements as will generally promote more efficient public management in the state.

(1) Governor; director of financial management. The governor, through the director of financial management, shall devise and supervise a modern and complete accounting system for each agency to the end that all revenues, expenditures, receipts, disbursements, resources, and obligations of the state shall be properly and systematically accounted for. The accounting system shall include the development of accurate, timely records and reports of all financial affairs of the state. The system shall also

provide for central accounts in the office of financial management at the level of detail deemed necessary by the director to perform central financial management. The director of financial management shall adopt and periodically update an accounting procedures manual. Any agency maintaining its own accounting and reporting system shall comply with the updated accounting procedures manual and the rules of the director adopted under this chapter.

The Office of Financial Management's *State Administrative and Accounting Manual* (SAAM), states in part:

Section 20.15.30.a. - Who is responsible for internal control?

The agency head or authorized designee is ultimately responsible for identifying risks and establishing, maintaining, and reviewing the agency's system of internal control. If the agency head delegates this responsibility, the designated person should have sufficient authority to carry out these responsibilities. Normally, this person is a senior agency manager who does not serve in the internal audit function.

Section 20.15.40.c. - Control Activities

Control activities help ensure risk responses are effectively carried out and include policies and procedures, manual and automated tools, approvals, authorizations, verifications, reconciliations, security over assets, and segregation of duties. These activities occur across an agency, at all levels and in all functions, and are designed to help prevent or reduce the risk that agency objectives will not be achieved.

Managers set up control activities to provide reasonable assurance that the agency and business unit objectives are met. An example of a control activity is something as simple as listing tasks assigned to staff members and then periodically checking the list to verify that assignments are completed on time. Refer to Section 20.25 for further discussion of control activities.

Section 20.15.40.e. - Monitoring

Things change and, by monitoring the risks and the effectiveness of control measures on a regular basis, an agency can react dynamically to changing conditions.

Monitoring evaluates the effectiveness of an agency's internal controls and is designed to ensure that internal controls continue

to operate effectively. Monitoring is effective when it leads to the identification and correction of control weaknesses before they materially affect the achievement of the agency's objectives.

An agency's internal control is most effective when there is proper monitoring, results are prioritized and communicated, and weaknesses are corrected and followed up on as necessary.

There are two types of monitoring: ongoing and periodic. Ongoing monitoring occurs in the course of operations. It includes tasks such as supervisory reviews of reconciliations, reports, and processes. Periodic monitoring includes tasks such as periodic internal audit sampling and annual reviews of high-risk business processes. Internal control deficiencies uncovered by monitoring should be reported to higher levels of management.



State of Washington
DEPARTMENT OF FISH AND WILDLIFE

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Department of Fish and Wildlife July 1, 2016 through June 30, 2018

This schedule presents the status of findings reported in prior audit periods.

Audit Period: July 1, 2015 through June 30, 2016	Report Ref. No.: 1019710	Finding Ref. No.: 2016-001
Finding Caption: The Department of Fish and Wildlife did not adequately monitor wildlife damage prevention contracts.		
Background: The Department did not adequately monitor its "Damage Prevention Cooperative Agreement" contracts. We examined 46 payments totaling \$278,825, and found the Department did not establish effective fiscal monitoring activities to ensure invoiced amounts reconciled to supporting records.		
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The Department implemented a number of improvements in order to establish effective fiscal monitoring of the contracts. These include; 1) A standardized Range Rider Daily Log was developed to provide supporting documentation for the activities billed on the invoice. 2) A new invoice form and accompanying instructions are provided with the new contracts which became effective. This invoice provides the necessary clarity to separate the producer's cost and the cost-share portion of that cost. 3) Additional language was added to the new contracts to provide clear instructions regarding the documentation of costs, including the requirement to submit the range rider daily log with the invoice. 4) The new contracts include language in the scope of work that clarifies expectations and adopts a standard re-imbursement rate for range riding.</i>		

RELATED REPORTS

Financial

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management.

The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at www.ofm.wa.gov.

A summary of the audit for the period ending June 30, 2018, can be found at: <http://www.sao.wa.gov/about-audits/about-state-government-audits/>

Federal programs

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

Performance audits

Initiative 900, approved by voters in 2005, gives the State Auditor's Office the authority to conduct independent performance audits of state and local government entities. Performance audits may include objective analysis on ways to improve program performance and operations, reduce costs and identify best practices.

We issued the separate Safe Data Disposal: State Reduces the Risk of Disclosing Confidential Information performance audit report, which is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Special investigations

The State Auditor's Office issued a report on a misappropriation of public funds at the Department. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

The State Auditor's Office issued reports pursuant to the State Employee Whistleblower Act (Chapter 42.40 RCW). Those reports are available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DEPARTMENT

The Department of Fish and Wildlife was established by the state Legislature in 1994 to protect and enhance fish and wildlife habitats and provide sustainable fish and wildlife related recreational and commercial opportunities. The Department's mission is to preserve, protect and perpetuate the state's fish, wildlife and ecosystems, including management of human use for public benefit and sustainable social and economic needs. Department policy is guided by the Washington Fish and Wildlife Commission composed of nine citizen members who serve six-year terms and are appointed by the Governor. Department operations are led by a Director appointed by the Commission, as well as an Executive Management Team.

The Department is headquartered in Olympia and operates six regional offices throughout the state. The Department collected approximately \$45 million in recreational license revenues and approximately \$1.4 million in commercial license revenues in fiscal year 2018. The Department is staffed by approximately 1,900 full- and part-time employees and its operating budget for 2017-2019 was approximately \$437.6 million.

Contact information related to this report	
Address:	Department of Fish and Wildlife 600 Capitol Way N. MS 43142 Olympia, WA 98501-3142
Contact:	Mario Cruz, Internal Auditor
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Department of Fish and Wildlife at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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